

Message Text

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ACTION INT-05

INFO OCT-01 EA-06 ISO-00 SS-15 SP-02 NSC-05 IO-10 L-03

H-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01 USIA-06

PRS-01 OMB-01 /065 W

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R 080925Z AUG 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2356

CINCPACREP GUAM TTPI

INFO AMCONSUL NAHA

C O N F I D E N T I A L SECTION 1 OF 2 TOKYO 11039

DEPT PASS INTERIOR FOR DOTA AND OSN

CINCPACREP GUAM PASS HICOM AND STATUS LNO SAIPAN

AMCONSUL NAHA FOR QUIGLEY

FOR HICOM AND STATUS LNO

E.O. 11652: GDS

TAGS: EAID JA TQ

SUBJ: MICRONESIA CLAIMS AGREEMENT

REF: HICOMTERPACIS 220600Z JUL 75 (STATUS LNO 200 C)

SUMMARY: EMBASSY AGAIN URGES TTPI AND WASHINGTON AGENCIES
TO ENSURE THAT AGREED PROCUREMENT UNDER CLAIMS AGREEMENT IS
COMPLETED IN TIMELY WAY. END SUMMARY.

1. RECENT VISIT TO TOKYO TO TTPI OFFICIALS (ARNOLD AND
KIRBY) PROVIDED USEFUL OPPORTUNITY FOR THEM TO REVIEW
QUESTIONS RELATED TO IMPLEMENTATION OF CLAIMS AGREEMENT
WITH EMBASSY AND WITH FONOFF. EMBOFF REVIEWED BACKGROUND
OF AGREEMENT AND VARIOUS USG COMMITMENTS ENTERED INTO
IN THE AGREEMENT AND IT SUPPLEMENTARY DOCUMENTS. TTPI
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REPS STATED TO BOTH EMBASSY AND TO FONOFF THAT THEY

ARE ENCOUNTERING SOME PROBLEMS IN CONNECTION WITH PROCUREMENT FROM LIST OF JAPANESE PRODUCTS AND SERVICES AND IT IS LIKELY THAT TTPI MAY REQUEST ALTERATIONS TO LIST INVOLVING PERHAPS 25 PERCENT OF TOTAL VALUE OF LIST. AMONG PROBLEMS ENCOUNTERED TTPI REPS SPECIFICALLY MENTIONED A) POSSIBILITY THAT COUNTERPART DOLLAR FUNDS FOR REMAINING PROCUREMENT OF ITEMS IN LIST OF PRODUCTS AND SERVICES MAY NOT BE INCLUDED IN FY 76 TTPI BUDGET, AND B) FACT THAT SOME TTPI DISTRICT ADMINISTRATORS DISAGREE WITH PREDECESSORS RE DESIRABILITY OF PROCUREMENT OF JAPANESE PRODUCTS AND SERVICES AND ARE UNWILLING TO USE THEIR DISTRICT'S BUDGETED FUNDS FOR THIS PURPOSE. FONOFF CONVEYED GOJ VIEW THAT ORIGINAL AGREEMENT (AND IN PARTICULAR LIST OF PRODUCTS AND SERVICES) SHOULD BE HONORED TO MAXIMUM EXTENT POSSIBLE; THAT PROVISION OF PRODUCTS AND SERVICES (DEFINED AS PAYMENT FROM THE SPECIAL ACCOUNT) SHOULD BE COMPLETED AS AGREED BY OCT 15, 1976; AND THAT, THOUGH GOJ WILL CONSIDER USG REQUEST FOR CHANGES TO LIST IF SUBMITTED TO FONOFF, A) LIST SHOULD BE CHANGED ONLY ONCE (IF AT ALL), B) REQUEST FOR CHANGE SHOULD BE SUBMITTED TO FONOFF IN TIME FOR AGREEMENT AND COMPLETION OF PROCUREMENT BY DEADLINE, C) CHANGES SHOULD BE HELD TO MINIMUM, AND D) REASONS CONVINCING TO ALL CONCERNED GOJ MINISTRIES SHOULD BE SUBMITTED WITH REQUEST FOR CHANGES.

2. EMBASSY COMMENT. EMBASSY WISHES TO URGE ONCE AGAIN THAT RESPONSIBLE OFFICIALS IN TTPI AND IN WASHINGTON CONTINUE MAXIMUM EFFORTS TO ATTAIN FULFILLMENT OF USG COMMITMENTS UNDER AGREEMENT, IN PARTICULAR PROCUREMENT OF PRODUCTS AND SERVICES ENUMERATED IN AGREED LIST BY AGREED DEADLINE OF OCTOBER 15, 1976. IN EMBASSY VIEW, GOJ IS NOT LIKELY TO REGARD AS CONVINCING REASONS ADVANCED BY TTPI REPS (PARA 1 ABOVE) FOR USG INABILITY TO PERFORM ITS UNDERTAKINGS IN CLAIMS AGREEMENT. EMBASSY'S VIEW OF THESE REASONS IS AS FOLLOWS:
A) RE POINT THAT COUNTERPART DOLLAR FUNDS FOR ITEMS IN LIST ARE NOT IN TTPI BUDGET: LIST OF PRODUCTS AND SERVICES, WITH MINOR MODIFICATIONS, IS CREATION OF CONFIDENTIAL

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TTPI. IT WAS FORMALLY AGREED TO IN MAY 1974, LONG BEFORE TTPI FY 76 BUDGET HAD BEEN FINALIZED OR SUBMITTED TO CONGRESS. IF TTPI FY 76 BUDGET DOES NOT INCLUDE COUNTERPART FUNDS NEEDED TO COMPLETE PROCUREMENT IN TIMELY WAY, THIS WILL INDICATE THAT USG FAILED TO TAKE STEPS NECESSARY TO HONOR ITS COMMITMENTS UNDER AGREEMENT; IT WILL NOT CONSTITUTE REASON WHY USG CANNOT COMPLETE PROCUREMENT AS AGREED. B) RE POINT THAT

CERTAIN DISTRICT ADMINISTRATORS DO NOT WWSH TO USE
THEIR BUDGETED FUNDS TO PROCURE JAPANESE PRODUCTS AND
SERVICES ON THE LIST: THE USG ENTERED INTO A FORMAL
INTERGOVERNMENTAL AGREEMENT WITH GOJ WHICH WAS SIGNED
BY OUR CHARGE' (IN THE ABSENCE OF AN AMBASSADOR) AND
TO WHICH CONGRESS SUBSEQUENTLY EXPRESSED ITS ASSENT BY
APPROPRIATING THE USG CONTRIBUTION. SUPPLEMENTARY
DOCUMENTS AND THEIR UNDERTAKINGS WERE, SIMILARLY,
FORMALLY ENTERED INTO AT A HIGH LEVEL FOLLOWING CONSUL-
TATION AND AGREEMENT WITHIN USG BY ALL PARTIES CONCERNED--
E.G. STATE, INTERIOR, AND TTPI. IMPLICIT IN PROCUREMENT-
RELATED PORTIONS OF THESE AGREEMENTS WERE ASSUMPTIONS--
MADE EXPLICIT IN THE MICRONESIAN CLAIMS ACT OF 1971--
THAT A) TTPI BUDGETS WOULD CONTAIN NECESSARY COUNTER-
PART FUNDS AND B) BUDGETED FUNDS WOULD BE PAID
INTO THE MICRONESIAN CLAIMS FUND AS THE JAPANESE PRODUCTS
AND SERVICES ARE PROVIDED. GOJ WOULD ALMOST CERTAINLY
FIND IT INCREDIBLE THAT USG COULD NOT FULFILL
ITS COMMITMENTS BECAUSE A MIDDLE GRADE CIVIL SERVANT,
I.E. TTPI DISTRICT ADMINISTRATOR, DID NOT WANT TO USE
HIS DISTRICT'S BUDGETED FUNDS FOR THAT PURPOSE. GOJ
WOULD BE MUCH MORE LIKELY TO TAKE SUCH INFORMATION AS IN-
DICATIVE OF USG DEFAULT ON ITS OBLIGATIONS RATHER THAN
A PERSUASIVE REASON WHY PROCUREMENT COULD NOT BE
PERFORMED.

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ACTION INT-05

INFO OCT-01 EA-06 ISO-00 SS-15 SP-02 NSC-05 IO-10 L-03

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FM AMEMBASSY TOKYO

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CINCPACREP GUAM TTPI

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C O N F I D E N T I A L SECTION 2 OF 2 TOKYO 11039

3. BOTH USG AND GOJ WERE RESPONSIBLE FOR EARLIER DELAYS IN IMPLEMENTING CLAIMS AGREEMENT. NOW, HOWEVER, ALL PROCEDURES HAVE BEEN AGREED TO, JAPANESE PAYMENTS INTO SPECIAL ACCOUNT HAVE BEEN COMPLETED, AND GOJ HAS DEMONSTRATED ITS ABILITY EXPEDITIOUSLY TO CONFIRM PROCUREMENT CONTRACTS SUBMITTED TO IT. BALL IS NOW ENTIRELY IN USG COURT. RESPONSIBILITY FOR ANY FURTHER DELAY, WHICH IS WORST POSSIBLE CASE COULD RESULT IN FORFEITURE OF UNDISBURSED JAPANESE FUNDS AND WHICH HAS ALREADY MEANT AND WILL CONTINUE TO MEAN THAT YEN FUNDS DEPRECIATED BY INFLATION BUY CONTINUALLY LESS, WILL BE ENTIRELY THAT OF THE UNITED STATES GOVERNMENT. LUCKILY, AMPLE TIME--SOME 14 MONTHS--REMAINS FOR USG TO DISCHARGE ITS OBLIGATIONS.

4. ACTION REQUESTED: A) DEPT ENSURE IN CONSULTATIONS WITH INTERIOR THAT FUNDS NECESSARY TO COMPLETE PROCUREMENT ARE INCLUDED IN TTPI'S FY 76 BUDGET. B) HICOM ENSURE THAT CONCERNED TTPI OFFICIALS ARE AWARE OF THEIR RESPONSIBILITIES IN THIS MATTER AND THAT THEY EXECUTE THOSE RESPONSIBILITIES.
SHOESMITH

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